Financial Statements of

SASKATCHEWAN VALLEY POTATO CORPORATION

Year ended December 31, 2005

106-04418/

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the balance sheet of Saskatchewan Valley Potato Corporation as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
April 13, 2006

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SASKATCHEWAN VALLEY POTATO CORPORATION

Balance Sheet

As at December 31

	2005	2004
ASSETS		
Current:		
Cash	$ 669,687	$ 270,886
Accounts receivable (Note 3)	67,656	213,007
Inventory (Note 4)	-	4,721
Prepaid expenses	-	21,915
Mortgages maturing in the next year (Note 5)	-	450,000
	737,343	960,529
Mortgages receivable (Note 5)	470,000	470,000
Property, plant and equipment (Note 6)	50,929	56,111
	$ 1,258,272	$ 1,486,640
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current:		
Accounts payable and accrued liabilities	$ 21,560	$ 18,929
Shareholders' equity:		
Share capital (Note 7)	16,590,499	16,590,499
Deficit	(15,353,787)	(15,122,788)
	1,236,712	1,467,711
	$ 1,258,272	$ 1,486,640

(See accompanying notes)

On behalf of the Board:

Director

Director

SASKATCHEWAN VALLEY POTATO CORPORATION

Statement of Operations and Deficit

For the Year Ended December 31

	2005	2004
Rental income	$ 204,706	$ 389,272
Operating expenses:		
Administration	7,981	50,433
Bad debts (recoveries)	192,734	(6,881)
Professional fees	125,756	84,800
Property taxes and insurance	70,054	31,785
Repairs and maintenance	29,395	9,687
Salaries and benefits	16,265	108,064
Utilities	52,911	79,816
	495,096	357,704
(Loss) earnings from operations	(290,390)	31,568
Other income (expenses):		
Other income	64,573	91,062
Gain on sale of property, plant and equipment	-	1,670,869
Amortization	(5,182)	(4,694)
	59,391	1,757,237
Net (loss) earnings	(230,999)	1,788,805
Deficit, beginning of year	(15,122,788)	(16,211,593)
Dividends	-	(700,000)
Deficit, end of year	$ (15,353,787)	$ (15,122,788)

(See accompanying notes)

SASKATCHEWAN VALLEY POTATO CORPORATION

Statement of Cash Flows

For the Year Ended December 31

	2005	2004
Operating Activities		
Net (loss) earnings	$ (230,999)	$ 1,788,805
Items not affecting cash from operations:		
Amortization	5,182	4,694
Gain on sale of property, plant and equipment	-	(1,670,869)
Change in non-cash operating working capital		
Accounts receivable	145,351	48,279
Inventory	4,721	
Prepaid expenses	21,915	21,469
Accounts payable and accrued liabilities	2,631	(36,680)
Cash (used in) provided by operating activities	(51,199)	155,698
Investing Activities		
Proceeds on sale of property, plant and equipment (Note 5(b))	450,000	1,909,268
Cash provided by investing activities	450,000	1,909,268
Financing Activities		
Repayment to Investment Saskatchewan Inc.	-	(1,166,641)
Dividends paid	-	(700,000)
Cash used in financing activities	-	(1,866,641)
Net increase in cash	398,801	198,325
Cash, beginning of year	270,886	72,561
Cash, end of year	$ 669,687	$ 270,886

(See accompanying notes)

SASKATCHEWAN VALLEY POTATO CORPORATION

Notes to Financial Statements

Year Ended December 31, 2005

1. Nature of business and basis of presentation

Saskatchewan Valley Potato Corporation ("SVPC") was incorporated on May 11, 2000 under the *Business Corporations Act of Saskatchewan* and commenced active operations on June 21, 2000. SVPC is a wholly-owned subsidiary of Investment Saskatchewan Inc., a Provincial Crown corporation. SVPC is not subject to Federal or provincial income taxes by virtue of this ownership. SVPC's accounts are included in the consolidated financial statements of Investment Saskatchewan Inc.

SVPC is primarily a seed potato storage company in the Lake Diefenbaker potato area.

In a previous year, SVPC completed a strategic exit from the seed potato industry. SVPC, under direction and support from its shareholder, will continue to operate its remaining potato industry assets until such time as a sale of SVPC's remaining assets can be consummated.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory

Supplies inventory are valued at lower of cost and net realizable value.

(c) Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost and net recoverable amount. Amortization is provided using the straight-line method and the following annual rates:

Asset	Rate
Storage sheds	40 years
Field equipment	5 – 10 years
Plant and office equipment	2 – 5 years

SVPC reviews and evaluates its property, plant and equipment for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be recoverable. The net recoverable amount of property, plant and equipment is calculated by estimating its undiscounted future net cash flows together with its residual value. Future net cash flows are developed using assumptions that reflect SVPC's planned course of action for the asset given SVPC's best estimate of the most probable set of economic conditions. Inherent in these assumptions are significant risks and uncertainties. It is possible that changes in future economic conditions and the resulting impact on some or all of these assumptions may require a significant reduction in the carrying value of these assets.

2. Significant accounting policies (continued)

(d) Revenue recognition

Storage, handling and agronomic services revenue is recognized as services are provided.

(e) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. Significant items subject to such estimates and assumptions include the valuation allowances for accounts receivable. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

3. Accounts receivable

	2005	2004
Accounts receivable	$ 238,311	$ 333,423
Allowance for doubtful accounts	(170,655)	(120,416)
	$ 67,656	$ 213,007

4. Inventory

	2005	2004
Supplies	$ -	$ 4,721

5. Mortgages receivable

	2005	2004
Mortgage receivable - Agristar Produce (Sask) Ltd. (a)	$ -	$ 750,000
Mortgage receivable - Island Holdings Ltd. (b)	-	450,000
Mortgage receivable - Spudwyk Farms Ltd. (c)	470,000	470,000
Less: Allowance	-	(750,000)
	470,000	920,000
Mortgages maturing in the next year	-	450,000
	$ 470,000	$ 470,000

5. Mortgages receivable (continued)

a) Mortgage Receivable - Agristar Produce (Sask) Ltd.

SVPC holds a $750,000 non-interest bearing mortgage from Agristar Produce (Sask) Ltd. that matures February 1, 2007. During the year, Agristar Produce (Sask) Ltd. emerged from CCAA protection and it was determined that SVPC will not recover any monies, and therefore, has written off the full amount of the mortgage.

b) Mortgage Receivable - Island Holdings Ltd.

SVPC held a $450,000 mortgage from Island Holdings Ltd. that matured on December 29, 2005. The mortgage arose on the sale of a storage shed to Island Holdings Ltd. in 2003.

c) Mortgage Receivable - Spudwyk Farms Ltd.

SVPC holds a $470,000 mortgage from Spudwyk Farms Ltd. that matures April 30, 2009. The mortgage earns 6% annually, with interest received semi-annually.

6. Property, plant and equipment

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Storage sheds	$ 3,113,643	$ 3,063,214	$ 50,429	$ 52,278
Field equipment	-	-	-	162
Plant and office equipment	46,732	46,232	500	3,671
	$ 3,160,375	$ 3,109,446	$ 50,929	$ 56,111

7. Share capital

	2005	2004
Authorized:		
Unlimited number of Class A voting common shares		
Issued:		
100 Class A shares	$ 16,590,499	$ 16,590,499

8. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SVPC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions with related parties, which are not separately disclosed elsewhere in the financial statements, are as follows:

	2005	2004
Accounts payable	$ 6,699	$ 6,242
Operating expenses	51,687	78,291

In addition, SVPC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

During the year, Investment Saskatchewan Inc. provided management services to SVPC without charge.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

9. Financial instruments

a) Fair values

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate the carrying amount due to the short period to maturity. The fair value of mortgages receivable has not been estimated as these mortgages are not subject to terms and conditions that would otherwise be available.

b) Credit risk

SVPC is exposed to credit risk from the potential default of customers. SVPC mitigates this risk through offset provisions contained in storage and handling services agreements and sales contracts.

10. Contingencies

In the normal course of operations, SVPC became involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2005 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on SVPC's financial position or results of operations.